

**REVIEW OF GSA'S IMPLEMENTATION OF  
OMB CIRCULAR A-123, APPENDIX A  
REPORT NUMBER: A070082/B/F/F07010  
JULY 12, 2007**



Date: July 12, 2007

Reply To: Anthony W. Mitchell, Director  
Audit Manager  
Finance and Administrative Audit Office (JA-F)

Subject: Review of GSA's Implementation of  
OMB Circular A-123, Appendix A  
Report Number: A070082/BH/FC/010

To: Kathleen M. Turco  
Chief Financial Officer (F)

This report presents the results of our review of the General Services Administration's (GSA) implementation of Office of Management and Budget (OMB) Circular A-123, Appendix A.

#### BACKGROUND

OMB Circular A-123 defines management's responsibility for internal control in Federal agencies and provides guidance to managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal control. During FY 2005 OMB issued an appendix to Circular A-123, effective FY 2006, to strengthen the requirements for the process management uses to assess, document, and report on the internal control over financial reporting. Appendix A also emphasizes the need for agencies to integrate and coordinate internal control assessments with other internal control-related activities.

#### OBJECTIVE, SCOPE, AND METHODOLOGY

The objective for our audit was to determine whether GSA has effectively implemented policies and procedures to comply with the requirements of OMB Circular A-123, Appendix A.

To accomplish our objectives we

- Compared GSA Directive with OMB Circular A-123, Appendix A.
- Attended planning meetings and training sessions for FY 07 internal control testing.
- Observed internal control testing conducted by GSA in Region 3 and the Greater Southwest Finance Center.



The audit was conducted from November 2006 through March 2007, and was performed in accordance with generally accepted government auditing standards.

## **RESULTS OF REVIEW**

Based upon our observations, GSA has effectively implemented policies and procedures to comply with the requirements of OMB Circular A-123, Appendix A. In FY 2005 GSA established a Senior Assessment Team (SAT), which is tasked with providing leadership, oversight, and accountability for GSA's internal controls over financial reporting, as recommended in the new requirements of Appendix A. The assessment of the agency's internal controls over financial reporting is performed by GSA's project team in conjunction with Cotton & Company, a contractor hired to assist in the internal control testing. The project team conducts internal control testing on a rotational basis with all regions being tested over a three-year timeframe and finance centers tested annually. Such testing includes evaluating controls at the process level, entity level, and transaction level as required by Appendix A. The results of these assessments are reported to the SAT. The SAT then recommends the level of assurance the Administrator should provide on the internal controls over financial reporting. Furthermore, GSA incorporates the results of the A-123 reviews into the Federal Managers' Financial Integrity Act (FMFIA) assurance statement process and is testing a database for internal control reviews.

While our review found that GSA has adequately implemented the requirements of OMB Circular A-123, Appendix A, and this report contains no formal findings or recommendations, there is an issue we feel may warrant management's attention. Specifically, it appears that it would be difficult to ascertain the validity of the assurance statements submitted as part of the FMFIA process by those regions not included in the annual A-123 reviews. This results in a low level of confidence in the assurance statements submitted by those regions that were not reviewed as part of the A-123 internal control testing for that year. We believe this issue should be followed up on during our annual FMFIA review and we are willing to meet with OCFO management on this issue to determine a proper course of action.

We wish to thank the Office of the Chief Financial Officer and regional personnel for the assistance and courtesies extended to us during this review. This report does not require a response, however, should you or your staff have any questions, please contact me on (202) 501-0006.

Anthony W. Mitchell  
Audit Manager  
Finance and Administrative Audit Office (JA-F)



GSA Office of the Chief Financial Officer

JUL 13 2007

MEMORANDUM FOR JEFFREY C. WOMACK  
DEPUTY ASSISTANT INSPECTOR GENERAL FOR  
FINANCE AND ADMINISTRATIVE AUDITS (JA-F)

FROM: KATHLEEN M. T. JRGO *Kathleen M. JrGO*  
CHIEF FINANCIAL OFFICER (B)

SUBJECT: Draft Report on the OIG's Review of GSA's  
Implementation of OMB Circular A-123, Appendix A

Thank you for the opportunity to comment. I appreciate the thoroughness of your review and finding that we have complied with OMB Circular A-123. We have no additional comments other than we are considering your recommendation of expanding the scope of our A-123 efforts to additional regions each year to further support our Federal Managers' Financial Integrity Act process.

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